

Fiscal Note

Fiscal Services Division



HF 666 – Fund of Funds Restoration (LSB 2412HV)

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Fiscal Note Version – New

Description

House File 666 increases the maximum aggregate amount of tax credits that may be issued under the Fund of Funds Program from \$60.0 million to \$125.0 million.

Background

This tax credit ensures that investors in the Fund of Funds will receive their entire investment back, along with an agreed to rate of return, when their specified investment in the Fund of Funds is liquidated. If the returns received after the specified investment is liquidated are insufficient to cover the investment, contingent tax credits sufficient to make the investor whole are activated.

The maximum aggregate amount of tax credits was decreased in 2010 from \$100.0 million to \$60.0 million. The maximum annual redemption for the tax credit is \$20.0 million per year. The Department of Revenue includes the \$20.0 million annual cap in their tax credit contingent liabilities forecast.

Assumptions

To date, no contingent tax credits have been used, and no tax credits are projected to be used in the near term.

Fiscal Impact

Since the first investment is not scheduled to be liquidated until 2015 at the earliest, the actual amount of contingent tax credits that will be necessary is not known. The Bill increases the potential program lifetime liability of the Fund of Funds Tax Credit by \$65.0 million. The Department of Revenue would need to adjust their Tax Credit Contingent Liabilities Projection Forecast from \$20.0 million annually for three fiscal years to \$20.0 million annually for six fiscal years and \$5.0 million for the seventh fiscal year.

Sources

Department of Revenue
Iowa Corporation for Investment Capital

/s/ Holly M. Lyons

April 4, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
